

Purpose

The Check Clearing for the 21st Century Act requires the Board of Governors of the Federal Reserve System to study five issues related to check clearing and report back to Congress within 30 months of the effective date of the Act (that is, April 28, 2007). To assist in its evaluation of these issues, the Board is conducting this survey to gather data from a nationally representative sample of depository institutions. The sample will include commercial banks, savings institutions, and credit unions. The survey is voluntary.

Instructions

As a survey participant, your responses may be used to represent other institutions like yours that were not selected for the study. To achieve the most reliable results, it is important that you respond completely and accurately. If your institution outsources payments processing to another organization, please request the necessary data from that organization.

The information collected from the survey will be published on an aggregated basis only. Individual responses will be kept confidential.

Survey period

For questions exploring check losses (section II), the survey asks for data covering calendar year 2005. For all other questions (sections III, IV, and V), the survey requests data for the month of March 2006.

Responding to survey questions

Please report only for your chartered depository institution and not for any affiliated institutions.

Please leave no item blank. There are two possible ways to answer a survey question.

Enter a value if your institution has the actual value or an estimate of the data element (enter "0" if the value is zero). Please round all percentages to the nearest whole percent.

Enter "DK" (don't know) if your institution has volume of the type being measured, but you are unable to report at least an estimate for your organization. Please do not enter "NA."

Reporting estimated data

Your institution may not routinely maintain data on check losses and check volumes in the same categories or in the same detail requested on the survey form. In these cases, please provide an estimate of your losses and volumes. Most questions are accompanied by the term "Est. ☐ " next to the place for your answer. Check this box to indicate that your response is an estimate. If you are giving a precise response to a question, then do not check the box.

Questions about the survey

If you have any questions about how to complete this survey, please call [number will be provided].

Completed survey

Institutions are encouraged to complete the survey by visiting [www.federalreserve.gov/\[to be provided\]/](http://www.federalreserve.gov/[to be provided]/). Please use the user ID and password provided in the cover letter to access the survey.

Alternatively, institutions may complete the attached paper version of the survey and send it to the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551, Attention [to be provided] or fax it to [to be provided]. Please include the name and phone number of a person whom we can contact should there be questions about your responses.

All responses are requested by May 1, 2006.

Glossary

Several of the terms used in the survey are defined in Regulation CC. For those terms, the definitions provided below are summaries and you should refer to Regulation CC for a more complete definition.

Altered checks means checks that have been modified without the drawer's approval. Modifications may be to the payee, amount, date, or other fields.

ARC payments (accounts receivable entries) means consumer checks received at a lockbox or drop-off location that are converted to automated clearinghouse (ACH) payments for processing.

Bank means depository institution, which includes commercial banks, savings institutions, and credit unions.

Bank of first deposit means the depository bank; the first bank at which a check is deposited.

Cases means the number of incidents in which the bank incurred check losses. A case may involve one or more checks.

Check means a negotiable instrument drawn on a bank. For this study, please follow these guidelines:

Checks include

- Checks written by individuals, businesses, or government entities
- Share drafts
- Money orders
- Official checks (for example, cashier's checks, teller's checks)
- Traveler's checks
- Payable through drafts

Checks do not include

- Deposit slips
- General ledger tickets
- Checks on credit card accounts
- Checks handled by an intermediary bank (correspondent check volume)
- Other non-check documents, such as payment coupons

Check losses means financial losses incurred by a bank related to processing check payments in which the bank was unable to recover losses from its customer. Losses reported for this survey should only include the value of the check and should only include losses incurred by the bank. Losses should be reported before recoveries associated with the checks identified. Internal check fraud (by employees) is not to be included unless it was part of an organized effort that involved parties outside the bank.

Consumer account means a transaction account used primarily for personal, family, or household purposes.

Dishonored checks means checks returned unpaid. Checks could be returned unpaid for reasons including nonsufficient funds (NSF), account closed, and stop payment.

Electronic check presentment (ECP) means the presentment of checks electronically to the paying bank when the delivery of paper checks to the paying bank is not necessary for legal presentment.

Exception holds means the safeguard provisions that allow a bank to extend the time to make funds available beyond two business days for local checks and five business days for nonlocal checks under Regulation CC. The safeguard exception holds are for new accounts, accounts with repeated overdrafts, aggregate deposits exceeding \$5000, reasonable cause to doubt collectibility, and emergency conditions.

Image presentment means electronic check presentment when an image of the check and the MICR line are included in the data sent to the paying bank. Under image presentment, the delivery of paper checks to the paying bank is not necessary for legal presentment.

Local check means a check payable by a local paying bank. A local paying bank is a paying bank located in the same Federal Reserve check processing region as the bank of first deposit.

MICR line presentment means electronic check presentment when only the MICR line of the check is included in the data sent to the paying bank. Under MICR line presentment, the delivery of paper checks to the paying bank is not necessary for legal presentment.

Midnight deadline means midnight of the banking day following the banking day the paying bank received the check (paper or electronic) for presentment; the time by which the paying bank should return a check unpaid.

Next-day availability check means a check deposited in an account that must be made available for withdrawal no later than the business day after the banking day on which the funds were deposited. Types of checks with next-day availability include, under certain conditions, on-us checks, Treasury checks, U.S. Postal Service money orders, Federal Reserve Bank or Federal Home Loan Bank checks, state or local government checks, and cashier's, certified, or teller's checks.

Nonlocal check means a check payable by a nonlocal paying bank. A nonlocal paying bank is a paying bank not located in the same Federal Reserve check-processing region as the bank of first deposit.

"On-us" check means a check payable by the same bank that is also the bank of first deposit. Some banks call these "on-us by-us" checks.

Paying bank means the bank by, through, or at which a check is payable and to which it is sent for payment or collection.

Recoveries means check losses that were written off by the bank but subsequently recouped. Write offs do not include checks that are immediately charged back to a customer's account that has funds to cover the loss.

Returned check means a check that a paying bank returns unpaid to the bank of first deposit.

Regulation CC means the Federal Reserve Board regulation implementing the Expedited Funds Availability Act and Check Clearing for the 21st Century Act. The regulation specifies funds availability schedules with which banks must comply and procedures for returning dishonored checks. It also contains rules related to substitute checks.

Substitute check means a paper reproduction of an original check containing an image of the front and back of the original check and printed in accordance with ANSI X9.100-140. A substitute check is legally the same as the original check provided it meets Regulation CC's requirements for legal equivalence.

Transaction account means an account, such as demand deposit, NOW account, share draft account, or other checkable deposit account, that can be used to make fund transfers or withdrawals using paper or electronic payment instruments, such as a check or debit card. A transaction account does not include a savings account, which is limited to six transfers or withdrawals per month, as defined in the Federal Reserve Board's Regulation D.